nesco

Risk Management Policy

1. Introduction

Nesco Limited is a diversified Company with business presence in Realty (office spaces), Exhibitions, Events and Manufacturing. Nesco has established strategic objectives and recognises that these strategic objectives will generate risks which need to be assessed, managed and successfully mitigated so that they do not adversely affect achievement of its strategic objectives. Rapid and continuous changes in the business environment have made it necessary for management to increasingly become more risk focused.

The purpose of this Policy is to create and protect stakeholders value by identifying and minimising the risk exposure and maximising the opportunities. Risk management within Nesco shall be the responsibility of all employees and the proactive identification of risks to be actively encouraged and supported. This Policy lays down the Risk Management framework at Nesco.

The Risk Management Policy ("Policy") is formulated under the requirements of Regulation 21(4) of the SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"). As per the Listing Regulations, disclosure to the Board is to made by the listed entity on whether the risk assessment and its minimization procedures are in place. As per the Companies Act, 2013 there are specific requirements of Risk management that the Company needs to comply with. In addition, the Board of Directors, Audit Committee and Risk Management Committee have been vested with specific responsibilities in assessing the robustness of Risk Management Policy, process and systems.

2. Objectives of the Policy

The objective of this Policy is to ensure sustainable business growth and promote a pro-active approach in identifying, evaluating, reporting and managing risk associated with the business. In order to achieve the key business objectives, this Policy establishes a structured and disciplined approach to Risk Management in order to manage risk related issues. The specific objectives of this Policy are:

- Formulate a framework for identification of internal and external risks faced by the Company. Measures for risk mitigation including systems and processes for internal control.
- Define Business continuity plan.
- Define framework for taking informed business decisions integrating risks to minimize adverse consequences of risks on business objectives.

3. Scope of the Policy

This Policy guidelines are devised in context of the organisation's growth objectives, its business and strategy plans. The Scope of this Policy shall cover:

- Nesco and its subsidiaries;
- All functions at corporate/branch offices and
- All events, both external and internal which shall significantly impact the objectives of the organisation.

4. Constitution of Risk Management Committee

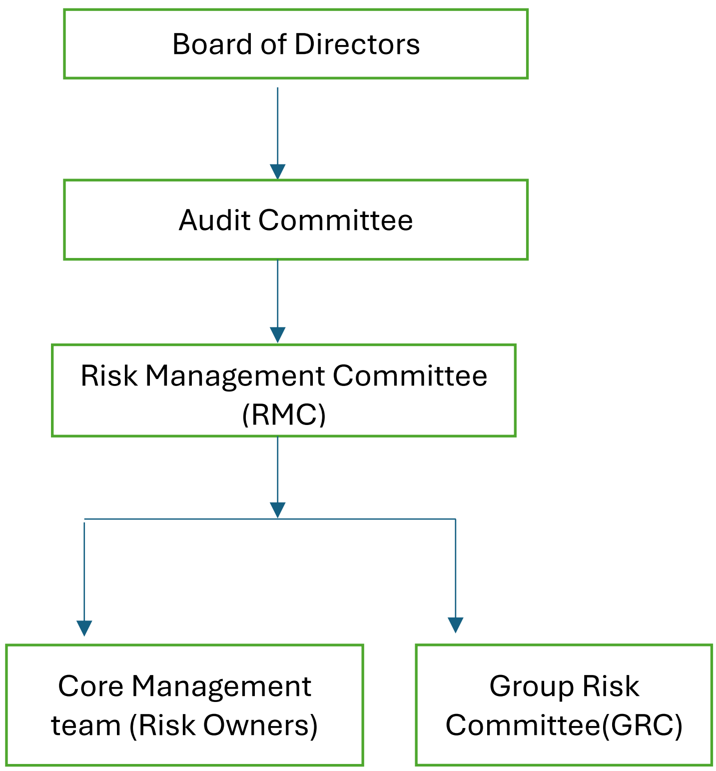
The Board has constituted the "Risk Management Committee" and it is in line with the requirements of SEBI Listing Regulations.

This Policy and the Terms of Reference of Risk Management Committee are integral to the functioning of the Risk Management Committee and are to be read together.

The Board has authority to reconstitute the Risk Management Committee from time to time as it deems appropriate.

5. Risk Management Organisation Structure

A well-defined risk governance structure serves to communicate the approach of risk management throughout the organization by establishing clear allocation of roles and responsibilities for the management of risks on a day to day basis. In order to develop and implement an Risk Management Framework, Nesco shall set up risk management organisation structure which will ensure that risk management activities are undertaken as per the Policy. The below chart provides the risk management organisation structure within Nesco.



Role and Responsibilities of Risk Management Committee

a) Formulate Risk Management Policy including business continuity plan, monitor and oversee its implementation;
b) Frame and monitor Risk Management Plan;
c) Ensure methodology, processes and systems in place to monitor and evaluate risks;

d) Review Risk Management Policy, every two years or at such intervals considering changing industry dynamics and evolving complexity;
e) Appraise Audit Committee and Board of Directors about its discussions, recommendations and actions to be taken;
f) Maintain an aggregated view on risk profile and underlying business segments;
g) Appointment, removal and terms of remuneration of the Chief Risk Officer (CRO) as and when appointed by the Company;
h) Constitute and monitor working of the Core Management Team.

Responsibilities of Core Management Team

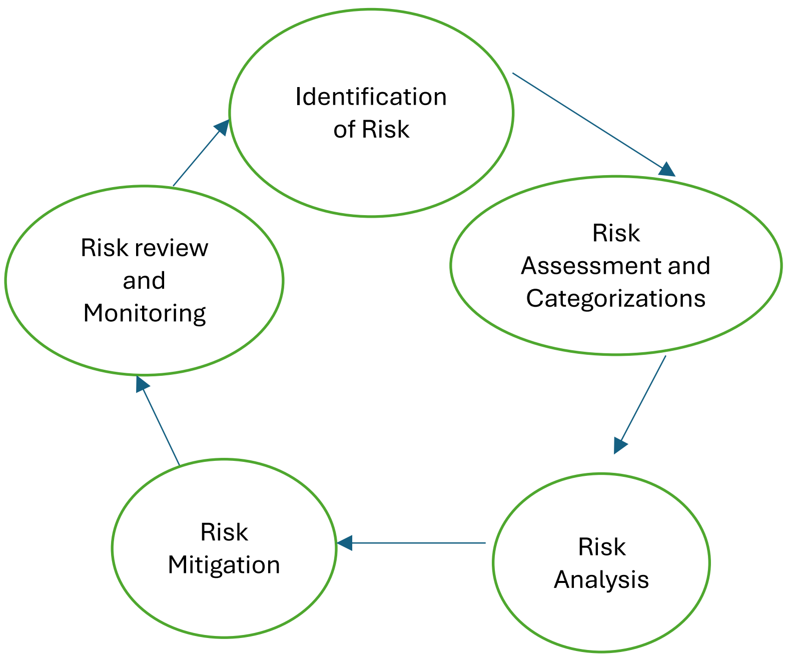
a) Identify and propose risks, evaluate criticality and formulate steps for mitigation;
b) Implement Risk Management Plan;
c) Review progress on mitigation action plan and its effectiveness;
d) Monitor movement of Key Risk Indicators (KRI) and endeavour to maintain them within the risk appetite;
e) In case any risk materialises, take appropriate actions as per the Policy.

Group Risk Committee (GRC)

a) Support Core Management Team/Risk Owners in adhering to this Policy and Risk Management framework;
b) Co-ordinate and schedule Core Management Committee meetings;
c) Independently test the effectiveness of risk mitigation actions;
d) Draft risk analysis, risk treatment and control mechanisms for Risks;
e) Track actions proposed in the Risk Management Committees, Core Management Team Meetings and the Group Risk Committee meetings.

6. Risk Management Process

The risk management process shall be an integral part of the management and will be embedded in culture and practices and tailored to the business processes of the organisation. The risk management process includes following activities as shown in the picture below.



7. Risk Identification

Risk identification implies finding, recognising and describing the risks along with identification of their root causes. The Company is subject to various risks and challenges from the internal environment (eg. operations. strategy, systems and processes etc) and external environment (eg. competition, changes in government policies, market demand) which may have significant impact on the organisation. Hence it is important to assess and take action in advance to mitigate such risks. Following methodologies and sources to be used for risk identification.

- Inputs from HODs
- Surveys/questionnaires
- Structured interviews and brainstorming
- Internal/external reports
- Risk lists- lessons learned
- Risk Management workshops
- Historic Risk event information
- Publicly available risk reports of companies in the same industry and its reports published by reputed organisations

8. Risk Categorisation

For better risk identification, it is important to know various risk categories. Some sample categories are provided below.

Risk Category	Definitions
Strategic	Potential risks affecting high level goals, aligned with and supporting the entity's mission/vision.
Operational	Potential risks affecting the effectiveness and efficiency of the entity's operations. They vary based on management's choices about structure and performance.
Compliance Risks	Risks relating to adherence to relevant laws and regulations.
Financial	Potential risks affecting the performance and profitability goals of the Company including safeguarding resources against financial losses.

9. Risk Assessment and Analysis

Risk Assessment allows an entity to consider the extent to which potential events have an impact on achievement of objectives. Risk identified shall be classified into internal, external, controllable and uncontrollable and assessed for potential severity as per risk rating.

It is necessary that risks shall be assessed after taking into account the existing controls so as to ascertain the current level of risks.

Based on the assessments, each of the risks shall be categorised as Low, Medium and High.

Risks	Description of Risks	Required Action
High	Event which can be tolerated but may have prolonged negative impact and extensive consequences	Continuous active management
Medium	Events which can be managed but requires additional resources and management efforts	Periodic Monitoring
Low	Events, which can be managed/absorbed under normal operating conditions	No major concern

The Risk Management Committee shall decide and review from time to time the likelihood assessment parameters, impact assessment parameters, risk prioritization parameters, risk rating scores, early warning indicators (with trigger points) etc.

10. Risk Mitigation

There are four common strategies for treating risk. There is no single best response strategy and each risk must be considered on its own merits. Some risks may require a combination of strategies and multiple responses, whereas others may need only one strategy with single response.

- Risk Avoidance: The situation which give rise to the risk can be avoided by exiting the activities or conditions that give rise to that risk.
- Risk Reduction: For the risks which cannot be avoided, measures to reduce either the impact of risk or probability of occurrence can be deployed.
- Risk Acceptance/Retention: Risk Management does not necessarily mean risk reduction and there could be certain risks within the organisation that it might be willing to accept and continue with its operational activities. The organization shall tolerate such risks that are considered to be acceptable.
- Risk Transfer: Transfer the total or partial risk to external party such as client, third party vendor, sub-contractor, insurance company etc.

11. Risk Review and monitoring

Monitoring needs to be an integral part of the risk treatment implementation to give assurance that the treatments remain effective. Early warning indicators of key risks across businesses shall be integrated in business unit and function. Risk review and monitor shall happen as under:

- Review with the Core Management Team and the Group Risk Committee (GRC) - All the risks to be reviewed annually or at such intervals in detail along with formulation of revised mitigation plan wherever required.

- Review by the Management Director- Strategic and significant operating risks identified by each of the Risk owner will be reviewed annually or at such intervals in detail with the Managing Director.

- Review by the Risk Management Committee- The Risk Management Committee will identify every year or at such intervals, certain risks that are strategic from the corporate perspective which if not adequately addressed can have a major impact on the corporate performance.

- Review by the Audit Committee- Audit Committee shall review risk analysis presented by Risk Management Committee annually or at such intervals .

- Review by the Board of Directors - Update on mitigation measures against key risks will be submitted once in a year or at such intervals to the Board of Directors.

12. Business Continuity Plan

Business continuity planning is the process involved in creating a system of either preventing or recovering effectively from the potential threats to Company. The plan ensures that all assets of the Company including people are protected and can function quickly in the event of a disaster. Effective implementation of Risk Management Policy can ensure continuity of business in all adverse scenarios. Business Continuity Planning shall be embedded in the internal controls. The GRC and Core Management Team shall be responsible for laying out crisis response mechanism, communication protocols, and periodic training and competency building on crisis management.

13. Review and updating of the Policy

This Policy shall be reviewed by the Risk Management Committee, once in two years or in case of any significant events such as change in organisation structure, entering or exiting a business segment, change in risk profile, change in government regulations. Any revision to the Policy shall be incorporated with the recommendation of Risk Management Committee and wherever required by the Audit Committee and approval of the Board of Directors.

3rd version of the Policy approved by the Board of Directors at its Meeting held on 20 May 2024